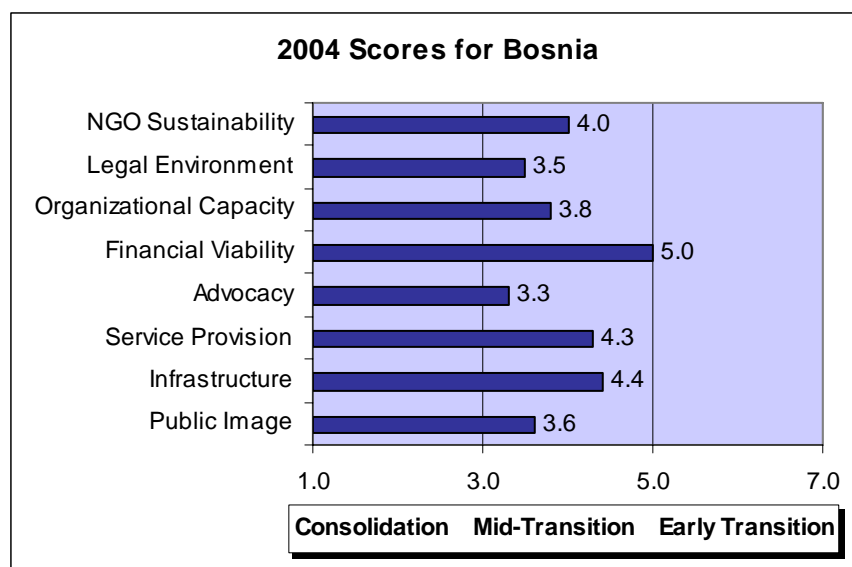


## BOSNIA AND HERZEGOVINA



**Capital:** Sarajevo

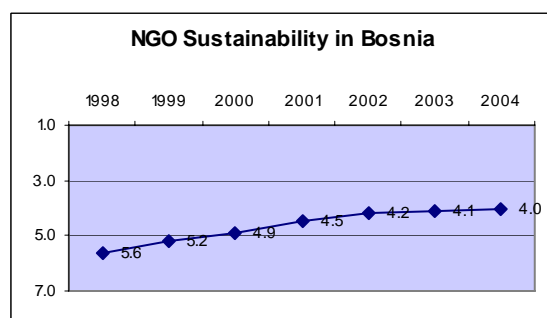
**Polity:** Federal  
Democratic Republic

**Population:**  
4,000,000

**GDP per capita**  
(PPP): \$6,100

### NGO SUSTAINABILITY: 4.0

The overall sustainability of the NGO sector has improved over last year with equal or higher scores in each of the seven dimensions. While the scores reflect only this year's achievements, there is reason to be optimistic that measures currently in the planning and drafting phases will lead to further improvements for next year.



As reported last year, there are 7,874 associations and 55 foundations in BiH. While it is difficult to say how many are active, the best estimate is half. The Directory and Perspectives on the NGO

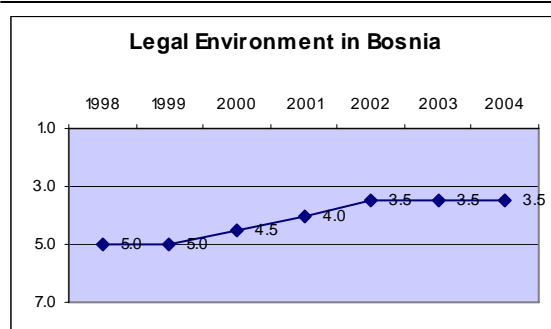
Sector in BiH by the International Council on Volunteer Agencies lists a wide variety of NGOs, the most active of which operate in the areas of training and education (17%), civic services (14%), children/youth (14%), women (10%), health (9%), and other (46%).

One indication of the NGO sector's growing stability is that advances are no longer measured in terms of quantity, rather by the quality of organizations and the services they provide. Another is the increased collaboration with both government agencies and other NGOs. Government officials and the general public now see the NGO sector more as positive elements of society, as the sector's "anti-government" reputation fades. NGOs, citizens, and the government have all begun to understand that advocacy and public participation are indeed worthy and valuable endeavors.

The greatest concern for the sustainability of the NGO sector is the Financial Viability dimension. The NGOs sector continues to rely heavily on international assistance. With a lack of domestic philanthropy, especially from the business community, and local grant making foundations that do little more than re-grant foreign funding, NGOs will be increasingly unstable as

foreign donors withdraw their support. Nonetheless, the financial viability dimension showed some improvements over the past year, as local philanthropy increased, and local governments provided greater financial support and eased regulatory restrictions.

### LEGAL ENVIRONMENT: 3.5



The legal environment did not change significantly over the past year. The primary issues with the laws are not in the way they are written, but the way they are implemented. This is especially true for the registration requirements in the State Law of Associations and Foundations. There are three governing bodies within the BiH, the State at the national level, and the Federation and the Republic of Srpska (RS) at the entity level. All three governing bodies have laws that affect NGOs and therefore, will be discussed separately.

#### *State Level*

Since enactment, the registration requirements of the 2001 State Law on Associations and Foundations have been implemented inconsistently. The Ministry of Justice is considering solutions, but no

action has been taken. Though organizations like Lex International (Banja Luka) and the Civil Society Promotion Center (Sarajevo) are training attorneys in NGO legal and financial issues, there are not enough to satisfy the demand.

NGOs are permitted to engage in economic activities related to their primary purpose, but the law limits income from economic activities to either 10,000 KM or 1/3 of the NGO's budget, whichever is greater. NGOs are also permitted to compete for government contracts and collect fees for providing goods and services. Though NGOs may earn income, tax treatment is unclear, as both the Federation and the RS have jurisdiction over taxation issues. The GTZ, with input from the taxation group, has drafted a new Corporate Income Tax Law, which will be enacted at the entity level and harmonize the Federation and the RS laws under one system. The draft law recognizes public benefit organizations (PBO) and provides them with generous tax exemptions as well as incentives for their supporters, but fails to specify clear procedures for obtaining recognition as a PBO.

### *Federation of Bosnia and Herzegovina*

The registration process under Federation law remains inconsistent, and in many cases requires an organization to hire an attorney to meet with the registering officials to resolve problems. If an organization wishes to engage in economic activities, it must form a separate corporation. Grants made by foreign or domestic donors appear to be exempt from tax.

The current Federation tax law gives a deduction of up to 0.5% of a business' gross income for donations supporting humanitarian, cultural, educational, scientific or athletic purposes. A separate provision allows businesses a deduction of 0.5% of gross income for representation costs, and this provision is considered broad enough to cover sponsorship payments. In March 2003, the Office of High Representative enacted regulations that restrict donations by public sector companies; gifts may be made only for athletic, cultural, social welfare, and humanitarian purposes, and are subject to a number of procedural restrictions to safeguard public funds. Membership fees and contributions to professional associations and political parties are deductible up to 0.1% of the business' gross income. Donations by individuals are not tax deductible.

### *Republic of Srpska*

The 2001 Law on Associations and Foundations has created a more supportive legal environment for the NGO sector. In 2004, amendments were proposed that included inadequate procedures for public benefit organizational status. However, these amendments were withdrawn in January 2005. The law in the RS permits NGOs to engage in economic activities and charge fees for goods and services as long as the activities are related to the organizations' primary purposes. In addition, the National Assembly enacted the Law on Youth Activities that regulates youth organizations and emphasizes the government's commitment to supporting them.

The RS provides tax incentives for corporate giving. Corporations may deduct up to 1% of their gross income for donations to athletic, humanitarian, cultural or educational purposes. They may also deduct up to 1% of their gross income for membership fees and contributions to professional associations. Representative costs that cover NGO sponsorship payments are deductible up to 3% of a legal person's gross income. There are no deductions for donations made by individuals. Oversight of NGOs by the tax authorities remains inconsistent.

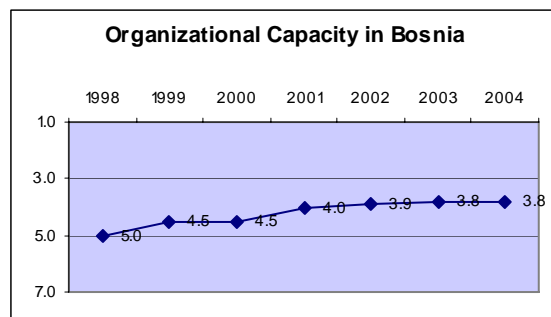
## **ORGANIZATIONAL CAPACITY: 3.8**

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NGO organizational capacity has not changed much over the past year. There is a small group of NGOs in the capital that has adequate staffing, effective management, and conducts strategic planning. Otherwise, the majority of NGOs lack a significant level of organizational capacity, limited in part by insufficient institutional funding.

State registration law requires that all NGOs have an assembly, but most organizations use friends and family rather than a qualified group of independent professionals. Most NGOs are still not very open or transparent, even within the organization. There are some organizations that are starting to use external auditors. However, most

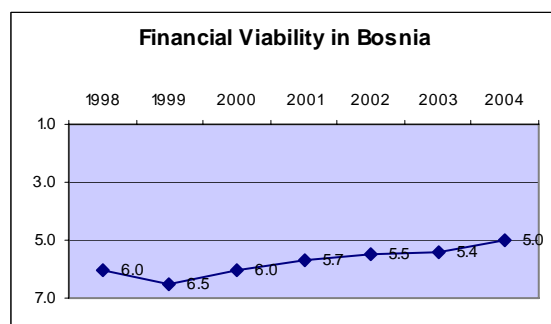
organizations are still not able to afford them, highlighting a need for inexpensive auditing services that charge according to the size and complexity of the organization.



The larger, more developed organizations that have gone through the process of identifying their shortcomings and the actions necessary to improve, have much to offer in the way of training and organizational capacity building for smaller, less developed organizations. Overall, the NGO sector has increasingly identified its constituents and their needs and focused energy on building their support, rather than starting more organizations. As in other dimensions, improvements are generally limited to those NGOs in the urban areas, with the rural areas remaining less developed.

## FINANCIAL VIABILITY: 5.0

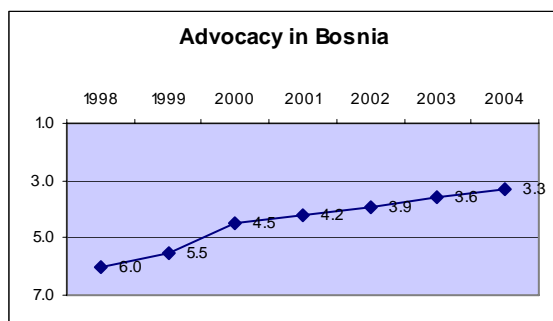
Despite improvements over the past year, the NGO sector remains financially unstable. Organizations still depend heavily on foreign funding, but this funding is expected to decrease dramatically over the next few years. As the amount of foreign funding decreases, the absence of corporate philanthropy and the lack of legal incentives for giving will present the entire sector with many challenges.



The NGO sector made progress in building individual philanthropy and support from local governments. Many municipalities now welcome project proposals from NGOs, and one municipality even offers matching grants for community service initiatives that promote problem solving at the local level. The level of support varies among the municipalities and there is still not a central office at the entity or state levels to promote or coordinate collaborative efforts between the local governments and NGOs. Individuals have expressed a greater willingness to pay for NGO services, and in one case, teachers paid for a teacher training program that their school administrator would not. Citizens have also increased their support for the NGO sector by volunteering more of their time.

### ADVOCACY: 3.3

Advocacy efforts continued to improve this year, with progress in areas such as primary and secondary education, youth policy, gender equality, local election laws, and minority issues. In the past, advocacy was limited to closed discussions between government officials and civil society representatives. NGOs now make use of additional forums for advocacy, including public hearings, direct meetings, and written correspondence with government officials. NGOs and the government have both used the media to invite public input on important community matters. These efforts have increased the frequency and effectiveness of advocacy efforts.



Increased participation is due in part to the government's recognition that NGOs are often a valuable source of information, expertise, and training as well as a way to access foreign funding. State, entity, and local governments look more and more to civil society for policy advice, research, community input, and information

concerning "best practices" on specific policy issues. At the moment, NGOs and government officials are circulating a draft compact to develop a more collaborative relationship between the NGO sector and the national government.

One example of a successful advocacy organization is The Center for Civic Initiatives (CCI), which has worked with over 20 municipalities to improve the local budgetary process and increase citizen participation. CCI has also been successful in lobbying for new election laws that allow for the direct election of mayors. Advocacy groups have also been promoting the Law for Volunteers, which will be important in facilitating cooperation between local and foreign volunteers and NGOs. Another improvement is that OSCE and USAID have stepped back to a more supportive role and allowed local coalitions take the lead in advocacy efforts.

Recent successes in influencing government policy, specifically NGO laws, by NGO coalitions have earned advocacy organizations a great deal of public trust. It is important to note that most political advocacy efforts take place in urban centers and that NGOs in rural areas are far less likely to have access to and influence over national matters.

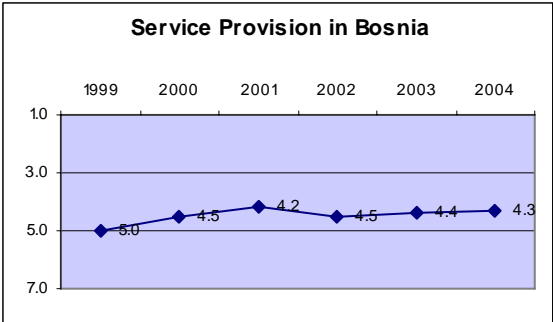
### SERVICE PROVISION: 4.3

Service provision has improved over the past year, as NGOs base projects more on the needs of constituents, and less on the priorities of foreign donors. NGOs now

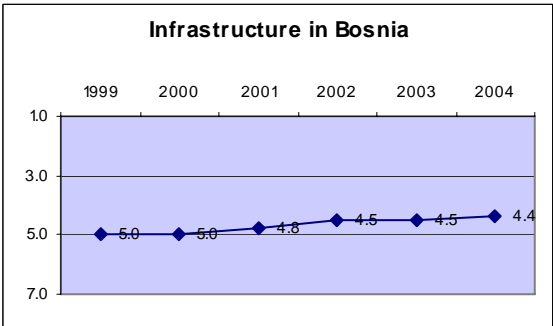
conduct more needs assessments, and allow constituents to participate in the design and implementation of their programs. In addition, NGOs provide more services for local governments and officials.

Governments often pay for services such as training in English and computer technology, but there is still a perception that “nonprofit” means that organizations ought to provide services free of charge.

NGOs have increased training programs as their portfolio of goods and services offered has grown. While these programs are needed and welcomed, organizations and their staff require further improvement of their teaching and training skills.



**INFRASTRUCTURE: 4.4**



The Infrastructure dimension reflects two key developments over the past year. First, the NGO community has made efforts to build collaboration and partnerships among organizations, as well as with various government agencies, the business community, and the media. Though these efforts have already led to improvements in advocacy efforts, there is still a need to

improve the sector’s information sharing network.

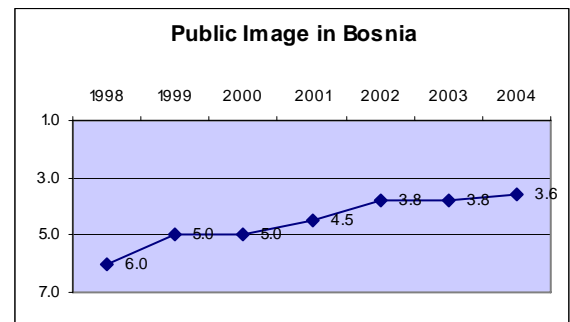
Second, the NGO community took the initial steps for building a series of intermediary support organizations and resource centers. The existing network of training facilities is based in urban areas, and often fails to account for local customs and cultural relevance; for example, many training materials are still not translated into local languages. This year, Tele-Domovi (Tele-Cottage) was created and is developing a nation-wide umbrella organization for resource centers with the goal of increasing capacity and outreach to rural areas. In addition, local grantmaking organizations have started operating, but so far they do little more than regrant international funding.

## PUBLIC IMAGE: 3.6

Many individual organizations have improved their visibility and transparency, and now have a better public image or are recognized by name or associated with a specific issue. Despite these advances, the general public still does not fully understand the role or potential of the NGO sector in Bosnian society. An OSCE public opinion survey this year confirms that public opinion of the NGO sector has improved. Forty percent of the respondents believe that NGOs provide assistance for those who have been marginalized by the state. Twenty percent, however, believe that NGOs are of little societal use and provide nothing more than good salaries for their members and staff<sup>10</sup>.

NGOs have yet to fully recognize the importance of public and media relations and organizations rarely have public relations offices. However, journalists have become more open to the NGO sector and have increased their coverage of NGO activities. One example is the national media coverage CCI has received for its

campaign for direct elections for mayors. The government has also continued to have a more positive perception of the NGO sector, which has led to greater NGO-government cooperation over the past year.



The NGO community has much work to do in educating the general public about its work and potential role in society. This will require a continued increase in the quality of services and greater public relations efforts. In addition, public discourse ought to shift from broad concepts of democracy and civil society to more tangible achievements, activities and benefits with which the public can identify.

<sup>10</sup> OSCE Department of Democratization and Prism Research, 'Public Opinion Research.' October 2003. Responses to the question, 'Which of these statements expresses an opinion concerning NGOs closest to your own?'